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SUBJECT: Brazil Municipal Elections: Belo Horizonte Race Will Test  
Presidential Waters

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¶1. (SBU) Summary: Although all Brazilian cities elect mayors and city councils on October 5, the municipal elections in Belo Horizonte and Sao Paulo have the most potential to affect the national political situation. In Belo Horizonte, Brazil's sixth largest city located in the state of Minas Gerais, a controversial informal alliance between President Lula's PT party and the Social Democrat (PSDB) party (center-left party in opposition) has formed to back Marcio Lacerda, a Socialist (PSB, leftist party in the governing coalition). This PT-PSDB alliance is significant because these parties are traditional national-level political rivals. If, as projected, Lacerda wins easily--he might even do so without a second round run-off--the success of the PT-PSDB partnership in Belo Horizonte will bolster the prospects of its architect, Minas Gerais Governor Aecio Neves (PSDB) as a presidential candidate for 2010. Neves, who is clearly positioning himself as a candidate for 2010, has been carefully working with President Lula and other PT leaders in an effort to build his reputation as a politician who can work with rivals to get things done. End summary.

#### THE RACE IN BELO HORIZONTE

¶2. (SBU) In a municipal election that is among two in Brazil (the other being Sao Paulo - see reftels) to have potential national implications, an alliance of the PT, PSB and informally, the PSDB, as well as other smaller parties, supports Marcio Lacerda, who leads in recent polls with 45%, twenty-five percentage points ahead of his nearest rival. Lacerda, a wealthy businessman, is the candidate of popular Belo Horizonte Mayor Fernando Pimentel, and the even more popular Minas Gerais Governor, Aecio Neves. Lacerda recently served as Neves's State Secretary for Economic Development. The locally popular, cooperative and productive relationship formed between Pimentel and Neves, despite their parties' national level rivalry, should easily carry Lacerda to victory, possibly without a run-off. Although Lacerda was running third in the polls with only 6% as recently as mid-August, Marcus Coimbra of the polling firm Vox Populii, predicted correctly to APPoff that as soon as the television campaigning started in late August and the public understood that Lacerda was the candidate of Pimentel and Neves, he would shoot up in the polls, as the public wants to continue their legacy. Although the national PT directorate forbade a formal alliance between the PT and the PSDB, despite public statements made in support of it by President Lula and his chief of staff, Dilma Rousseff, the informality of the alliance has not hurt Lacerda as the public clearly understands that Neves supports his candidacy.

#### THE ORIGINS OF THE ALLIANCE AND NATIONAL INVOLVEMENT IN THE BELO HORIZONTE RACE

13. (SBU) According to State Deputy and PSDB party leader in Minas Gerais, Lafayette de Andrade, the unusually cooperative relationship between the PT and the PSDB in Belo Horizonte is the result of both President Lula and Governor Neves having an interest in good relations that would facilitate implementation of their agendas. When elected in 2002, President Lula's governing coalition in the Brazilian Congress was fragile and Neves's standing as the former Speaker of the Chamber of Deputies, and his good relations with many in Congress, made him a potentially useful resource to Lula, according to Andrade. As the newly elected governor of Minas Gerais in 2002, Neves needed to form a good relationship with the federal government in order to obtain the resources needed to carry out his ambitious agenda. The good relationship that eventually developed naturally included PT Mayor Pimentel, especially given his close relationship with Dilma Rousseff, formed when they worked together to oppose the military dictatorship. As a result, Neves has been able to obtain federal support for his projects, which he has implemented efficiently by cutting bureaucracy and focusing on a results-oriented style of management.

14. (SBU) Political columnist Marcio Fagundes of Hoje Em Dia, Belo Horizonte's second-most read daily, told APPoff that when it came time to unite behind a candidate, Pimentel went to Brasilia to personally get the blessing of President Lula and Rousseff for the alliance. Luiz Dulci, Secretary General of the Presidency and a personal friend of Fagundes who is also from Minas Gerais, told Fagundes that Pimentel may have made a big mistake by not consulting two other key national PT figures also from Minas Gerais - Dulci himself and Minister of Social Development and the Fight Against Hunger, Patrus Ananias de Sousa, who runs President Lula's popular Bolsa Familia program. According to Fagundes, Dulci and Ananias

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were furious with Pimentel for not consulting with them. Despite Lula's and Rousseff's public support, the PT national party leadership eventually forbade the alliance with the PSDB, and the PT in Minas Gerais has split into a pro-Pimentel camp that is supporting Lacerda, and a pro-Ananias camp that is supporting current third-place candidate Maria do Socorro "Jo" Moraes, a federal deputy from the PCdoB (communist/leftist party in the governing coalition). Fagundes and others in Belo Horizonte believe that this situation could hurt Pimentel's prospects for being elected governor of Minas Gerais in 2010, despite the support he will undoubtedly receive from outgoing governor Neves. Ananias, as well as Minister of Communications Helio Costa, also from Minas Gerais, is also rumored to be interested in the governorship of Minas Gerais. Although Lacerda's victory appears to be certain at this point, if he were to stumble as mayor, Ananias or Costa could use that against Pimentel, as well as the fact that for the first time in 16 years, a non-PT mayor was elected in Belo Horizonte.

WHAT DOES THIS MEAN FOR A NEVES PRESIDENTIAL CANDIDACY IN 2010?

15. (SBU) In describing how the Belo Horizonte Mayor race may affect the 2010 Presidential race, sociologist Ruda Ricci recently quipped in a Veja (popular weekly news magazine) article on the race that "In Minas Gerais, we are already in 2010." According to Andrade, Lacerda's almost certain victory could bolster a Neves candidacy by showing him to be a candidate who can attract cross-over PT and other voters and one who unites diverse parties in order to get things done. Coimbra has dubbed Neves "a uniter, not a divider," and has suggested that this could make him an attractive candidate versus the more combative style of politics practiced by PSDB leadership in Sao Paulo. State deputy and leader of the PSB in Minas Gerais Wander Borges called Neves's style "a new form of politics in Brazil...that allows us to sit at the same table and talk and to be evaluated on the goods and services delivered." According to Borges, this cooperative and results-oriented leadership style is spreading to other cities in Minas Gerais. Borges believes that Brazilian society will eventually demand more consensus-based leadership on the national level and that this will help a Neves candidacy, particularly after a Lacerda victory.

16. (SBU) As Sao Paulo Governor Jose Serra is currently the leading prospect for the PSDB in 2010, there is speculation that Neves will switch parties to run in 2010. It is also possible that, if Lacerda

wins, the PT/PSDB alliance could serve as a model for a similar alliance behind Neves in 2010. Most commentators find the latter scenario highly unlikely, but the former scenario a strong possibility. Fagundas believes Neves may run as a PSB candidate with Ciro Gomes. Highly respected Globo columnist Miriam Leitao told APPoff that switching to the PMDB would be a natural for Neves, as his grandfather, Tancredo Neves, who was elected president in 1985 but died before taking office, was one of the PMDB's founders.

17. (SBU) COMMENT. Neves is definitely positioning himself to run for president in 2010, either as the PSDB candidate or possibly as the candidate of another party if he fails to win the PSDB nomination. Through his cooperative relationship with PT Mayor Pimentel and by backing Lacerda in an informal alliance with the PT, he is trying to portray himself as a new kind of candidate for Brazil who can work with rivals to get things done for the people. By electing Lacerda, voters in Belo Horizonte will signal their support for this style of politics. If this trend toward a less partisan, results-oriented style of politics catches on in other parts of Brazil, it would further bolster a Neves candidacy for president in 2010. END  
COMMENT

KUBISKE